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CC:	
Date:	Thu, 12/4/2014 7:11:31 PM
Subject:	Daily Update

Quote of the Day

"Excuses are tools of the incompetent, and those who specialize in them seldom go far." – Anonymous

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- Happy ECB decision day. Today's press conference is the main event as investors will be all ears for an update on new stimulus measures (they kept interest rates unchanged - how much lower could they have gone?...). As I return to my desk the headlines are starting:

  Draghi Says ECB Will Reassess Stimulus Measures Early Next Year BN 08:56

  Bummer. Markets are selling off on this one. They will probably rally on another headline so stay tuned….

  Risk sentiment appears "frustrated" as traders were hoping that the recent softness would last more than two days. Most appear to higher prices into year now (uh oh…). Also, the equity strategists at the major banks have been putting out their 2015 year end market targets. S&P average seems to be +/-2,100. The Yen is at 120 today for the first time since 2007!!!! Chinese stocks surged over 4% this morning. Oil remains in the headlines too particularly as it relates to the impact on the credit markets. There is also a story out regarding Saudi Arabia's belief that prices will settle around $60… There is also a story in the FT on how petrodollars are set to dry up which could have a technical impact on financial markets:

  > *The major oil-producing countries (esp. the Gulf ones) have been massive buyers of financial assets over the last ten years – "the flow of petrodollars into the global financial system boosted liquidity, spurred asset prices, and helped to keep borrowing costs down". However, for the first time in 30 years OPEC nations will be sucking liquidity out of the market rather than adding to it through investments. If crude stays at ~$70, OPEC nations will receive ~$315B less in revenue over the next year. At the peak in '12 OPEC countries were putting $500B net into US TSYs, HG bonds, and stocks – that number could now be sub $100B and even lower.*

  Eminis: -3.25. 10 year: 2.29%

- Data: Claims: 297k (vs. 295k exp). ADP missed yesterday. ISM Services beat and Markit Services slightly missed. Blah…blah…blah…

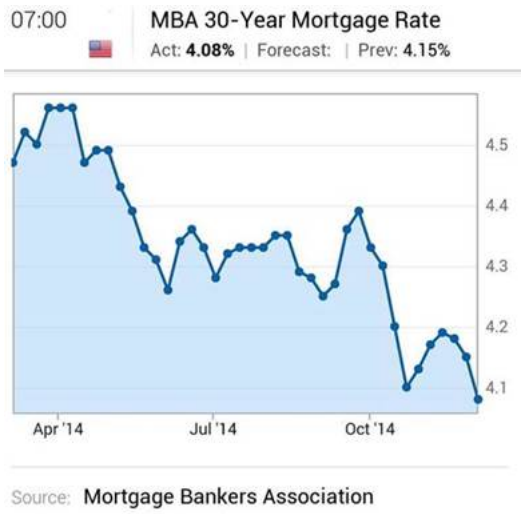
- Credit: HY bonds and leveraged loan indices are on top of each other for the year now. Loans and HY were mixed yesterday. Loans are opening a bit weaker this morning (probably in sympathy will HY's performance over the past days…. – Told you!!!!). CCC and high beta continues to be unloved. Anything with a whiff of oil is being sold (i.e. industrials, materials, even a few financials). A couple of investors have started to dig in on the oil names but remain tentative. Retail loan outflows are picking up again.

Table 1: High Yield Energy Default Rates Under Different Downside Price Scenarios

		Annual Default Rate				
Case	Scenario	2015	2016	2017	Average	Cumulative
Downside	$75 oil, $3.75 gas	3.9%	4.7%	3.0%	3.9%	11.6%
Really Bad	$65 oil, $3.50 gas	3.9%	20.3%	15.1%	13.3%	39.4%

Source: J.P. Morgan estimates.

- Charts of the Day:



- Other:
  - Private-Equity Firms Adapt to Regulatory Clampdown http://online.wsj.com/articles/private-equity-firms-adapt-to-regulatory-clampdown-1417652728?mod=wsj_nview_latest
  - More Borrowers Fall Behind on Car Payments, Report Shows http://dealbook.nytimes.com/2014/12/03/more-borrowers-fall-behind-on-car-payments-report-shows/?module=BlogPost-Title&version=Blog%20Main&contentCollection=Financial%20Services&action=Click&pgtype=Blogs&region=Body
  - Gas!

*Weisberg buys the Supreme

- HY: 107 3/16 (+3/16)
- IG: 62 (+1/2)
- CSLLI: -0.31% mtd / 2.88% ytd

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